

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6546

BILL NUMBER: HB 1261

NOTE PREPARED: Dec 15, 2003

BILL AMENDED:

SUBJECT: Farm Equipment Tax Credit.

FIRST AUTHOR: Rep. Murphy

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			(17,400,000)
State Expenditures			
Net Increase (Decrease)			(17,400,000)

Summary of Legislation: This bill provides a state tax credit equal to the property tax paid on agricultural personal property.

Effective Date: July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues: Under this provision, a taxpayer would be eligible for a state tax credit equal to the amount of the property tax paid on agricultural depreciable property that is used to cultivate the soil or to raise or harvest any agricultural or horticultural commodity. The credit would take effect beginning with 2005 property tax payments and 2005 state tax liabilities. **The state revenue reduction as a result of this credit is estimated at \$17.4 M in FY 2006 and \$17.8 M in FY 2007.** The revenue loss would continue to grow at approximately 0.6% in years after. Revenue from the taxes listed above is deposited in both the General Fund and the Property Tax Replacement Fund.

Methodology: The total net property tax paid in 2002 on agricultural depreciable property is estimated at about \$23.4 M. As a result of the passage of HEA 1001-2002(ss), personal property assessed values remain unchanged, the tax rate has been reduced, and the state will no longer pay regular 20% property tax replacement credits (PTRC) on business personal property. However, the state does pay the new 60% school general fund PTRC on business personal property. Taking all of these changes into consideration, the net property tax due on agricultural depreciable property is estimated at about \$17.4 M in CY 2005 and \$17.8 M in CY 2006.

The credit may be taken against a taxpayer's Adjusted Gross Income Tax, Insurance Premium Tax, or Financial Institutions Tax liability. If the amount of the credit exceeds the taxpayer's liability, the excess credit may be carried forward to subsequent years. A taxpayer is not entitled to a carryback or a refund of any unused credit. If a pass through entity does not have income tax liability, the credit may be taken by shareholders or partners in proportion to their distributive income from the pass through entity.

Explanation of Local Expenditures:

Explanation of Local Revenues: This proposal would not affect local revenues.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Local Government Database; 2002 Property Tax Analysis, Department of Local Government Finance.

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